

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 NEA-10 IO-13 ISO-00 SP-02 USIA-15 AID-05

EB-07 NSC-05 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 /133 W

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R 191743Z MAY 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1895

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

USDEL MTN GENEVA

UNCLAS SECTION 01 OF 05 LONDON 07813

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS -FOR THE PERIOD

MAY 13 - MAY 19. 1976

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SUMMARY: WITH OFFICIAL TRADE UNION RATIFICATION OF THE NEXT ROUND OF PAY POLICY MOVING SMOOTHLY TOWARD REALIZATION ON JUNE 16, ATTENTION FOCUSED ON THE MAJOR PRICE. OUTPUT AND EXPENDITURE INDICATORS. THE ANNUAL RATE OF RETAIL PRICE INCREASE DROPPED BELOW 20 PERCENT FOR THE FIRST TIME IN OVER A YEAR WHILE RETAIL SALES VOLUME ROSE IN APRIL AFTER TWO MONTHS OF DECLINE. INDUSTRIAL PRODUCTION CONTINUED ON A PLATEAU, BUT THE FIRST QUARTER 1976 LEVEL APPEARED ABOUT ONE PERCENT HIGHER THAN DURING THE FOURTH QUARTER OF 1975. AFTER A SURPLUS IN MARCH, THE APRIL CURRENT ACCOUNT MOVED BACK INTO DEFICIT THOUGH EXPORTS CONTINUE THEIR STRONG PERFORMANCE. THE NEED TO PROVIDE FURTHER RESOURCES FOR INVESTMENT WAS REFLECTED IN THE ANNOUNCEMENT OF A NEW FINANCIAL ENTITY (EQUITY CAPITAL FOR INDUSTRY) AND THE PRIME MINISTER'S STATEMENT THAT REVISIONS ARE PLANNED IN THE PRICE CODE TO PERMIT IMPROVED PROFITS AND HIGHER LEVELS OF INVESTMENT. END SUMMARY

1. PRIME MINISTER PROMISES RELAXATION OF PRICE CONTROLS AND A PHASE 3

PRIME MINISTER CALLAGHAN TOLD A MAY 18 GATHERING OF THE CONFEDERATION OF BRITISH INDUSTRY (CBI) THE GOVERNMENT WAS PLANNING "SOMETHING DIFFERENT AND BETTER" WHEN THE NEXT ROUND OF INCOMES POLICY WAS CONCLUDED IN AUGUST OF 1977. ON HIS PRINCIPAL SUBJECT, ONE CLOSE TO THE HEARTS OF HIS AUDIENCE, THE PRIME MINISTER INDICATED THAT THE CURRENT PRICE CODE WOULD BE RELAXED WHEN IT IS EXTENDED FOR ANOTHER 12 MONTHS IN AUGUST. HE MENTIONED 6 GENERAL WAYS IN WHICH THE PROVISIONS OF THE CODE WOULD BE CHANGED TO PERMIT IMPROVED PROFITS AND HIGHER LEVELS OF INVESTMENT. THESE INCLUDE:

- PROVISIONS TO STIMULATE INVESTMENT
- CHANGES TO OFFSET THE EFFECTS OF INFLATION ON ASSETS AND INVENTORIES
- A REVIEW OF THE PRODUCTIVITY DEDUCTION
- A CHANGE TO PREVENT THE PRICE CODE FROM PENALIZING FIRMS FOR INCREASING OUTPUT OR LOWERING COSTS
- A RESTRUCTURING OF THE ADMINISTRATIVE PROVISIONS

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GOVERNING LEVEL OF SALES AT WHICH PRICE CONTROLS ARE IMPOSED

- SIMPLIFICATION OF THE CODE

THESE PROPOSALS, WHILE GENERAL, WERE WELCOMED BY CBI WHICH HAS BEEN PUSHING LONG AND HARD FOR A SUBSTANTIAL RELAXATION OF THE PRICE CODE. THE PRIME MINISTER SAID THAT EFFICIENCY, INVESTMENT AND EXPORTS WERE THE WATCHWORDS FOR THE PRESENT PHASE. HE ADDED THAT "PAY RESTRAINT AND PRICE

CONTROL. IN THE EYES OF ORDINARY PEOPLE..., GO  
TOGETHER. BUT ORDINARY PEOPLE ALSO KNOW THAT INDUSTRY  
SHOULD BE ABLE TO EARN SUFFICIENT PROFIT ON ITS INVESTMENT  
TO PROTECT JOBS AND TO MAKE GREATER INVESTMENT WORTHWHILE"

THE PROPOSED KINDS OF CHANGES IN THE PRICE CODE  
APPEAR TO GO SOME DISTANCE TOWARD MEETING THE POSITION OF  
CBI. AFTER THE ADDRESS, THE PRESS REPORTED THAT THERE  
WAS A BROADLY HELD VIEW THAT THE GOVERNMENT HAD GONE ABOUT  
AS FAR AS POSSIBLE SHORT OF TOTAL ABOLITION OF THE PRICE  
CODE, WHICH WOULD BE UNACCEPTABLE TO THE TRADE UNIONS.

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INFO OCT-01 EA-09 NEA-10 IO-13 ISO-00 SP-02 USIA-15 AID-05

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LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 /133 W

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R 191743Z MAY 76

FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 1896  
INFO AMEMBASSY BERN  
AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LUXEMBOURG  
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DEPT PASS TRSY AND FRB

## 2. EQUITY CAPITAL FOR INDUSTRY

AFTER MORE THAN SIX MONTHS OF TORTUOUS DISCUSSIONS  
AMONG A VARIETY OF FINANCIAL INSTITUTIONS, A NEW MECHAN-  
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ISM FOR SUPPLYING ADDED EQUITY CAPITAL TO INDUSTRIAL EN-  
TERPRISES HAS BEEN ESTABLISHED.

THE NEED FOR SUCH A MECHANISM AROSE IN THE WAKE OF THE  
MASSIVE LIQUIDITY SQUEEZE ON FIRMS IN 1974-5. DURING  
1974 BALANCE SHEETS BECAME BURDENED WITH SHORT TERM DEBT  
AND SOURCES OF NEW LOAN FINANCE DRIED UP. THE STOCK MAR-  
KET HAD DECLINED BY OVER TWO THIRDS FROM ITS 1973 LEVEL  
AND THERE WAS NO POSSIBILITY OF RAISING NEW EQUITY CAPI-  
TAL TO IMPROVE BALANCE SHEET RATIOS. IN ADDITION, THE  
CITY WAS BEING BLAMED BY MANY LABOR PARTY POLITICI-  
ANS AND UNION LEADERS FOR CHANNELLING FUNDS INTO SPECU-  
LATIVE REAL ESTATE VENTURES RATHER THAN INTO INDUSTRIAL  
INVESTMENT.

UNDER THESE CIRCUMSTANCES, THE GOVERNMENT, UNDER THE  
AEGIS OF THE BANK OF ENGLAND, BEGAN TO MOVE QUIETLY TOW-  
ARDS THE ESTABLISHMENT OF A NEW CHANNEL FOR RAISING EQUI-  
TY CAPITAL. A WORKING PARTY WHICH INCLUDED A VARIETY OF  
FINANCIAL INSTITUTIONS WAS ESTABLISHED. DISCUSSIONS BE-  
GAN BY CONSIDERING A VERY LARGE INSTITUTION (UP TO 500  
MILLION POUNDS IN RESOURCES) WHICH WOULD DERIVE ITS CAPI-  
TAL FROM INSURANCE COMPANIES, PENSION FUNDS, MERCHANT AND  
CLEARING BANKS. THIS IDEA AROUSED MUCH OPPOSITION FROM  
INSTITUTIONAL INVESTORS WHO FEARED THAT THEIR FUNDS COULD  
BE TIED UP IN RISKY ENTERPRISES. WHILE THE SIZE OF THE  
NEW OPERATION WAS RAPIDLY PARED TO MEET THIS OBJECTION.  
PENSION FUND AND INSURANCE COMPANY PORTFOLIO MANAGERS CON-  
TINUED TO HARBOR THE HOPE THAT THE IDEA WOULD BE STILL-  
BORN. HOWEVER, THE ORIGINAL MOMENTUM AND POLITICAL  
INTEREST WAS TOO STRONG AND EQUITY CAPITAL FOR INDUSTRY  
WAS BORN ON APRIL 13 WITH MINIMUM TARGET LEVEL OF RESOUR-  
CES OF 30 MILLION POUNDS, AND HOPEFULLY 50 MILLION POUNDS.

THE SCHEME IS DESIGNED TO PROVIDE SMALL TO MEDIUM  
SIZE FIRMS WITH AN ADDITIONAL SOURCE OF EQUITY CAPITAL.  
POTENTIAL APPLICANTS MIGHT INCLUDE FIRMS WHICH:

- A. HAD RELATIVELY HIGH DEBT-EQUITY RATIOS
- B. WERE POTENTIALLY VIABLE BUT NOT PRESENTLY

ATTRACTIVE ENOUGH TO FLOAT CONVENTIONAL  
EQUITY ISSUES.

DEPENDING ON THE AMOUNT OF ITS INITIAL RESOURCES' ECI  
COULD MAKE AN INVESTMENT IN ANY ONE FIRM RANGING BETWEEN  
1 AND 10 MILLION DOLLARS. THE ECI CONTRIBUTION WOULD  
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GENERALLY FORM PART OF A TOTAL PACKAGE INCLUDING LOAN SUP-  
PORT FROM FINANCE FOR INDUSTRY (FFI), A 2 BILLION DOLLAR  
SOURCE OF MEDIUM TERM LOAN CAPITAL. (FFI HAS NOT BEEN  
ABLE TO LEND MORE THAN A SMALL FRACTION OF ITS RESOURCES  
BECAUSE OF THE HIGH DEBT EQUITY RATIOS OF POTENTIAL  
BORROWERS.)

ECI HAS A BOARD OF DIRECTORS CHAIRED BY LORD PLOWDEN  
WITH OTHER MEMBERS DRAWN FROM INDUSTRY. INSURANCE COMPAN-  
IES AND PENSION FUNDS. THREE MERCHANT BANKS HAVE AR-  
RANGED TO HANDLE EFFORTS TO RAISE THE INITIAL CONTRIBU-  
TIONS TO ECI. WHILE THE IMPROVED OUTLOOK FOR THE ECONOMY  
HAS CAUSED MANY TO QUESTION THE NEED FOR ECI, THE REAC-  
TION IN THE FINANCIAL ORESS HAS BEEN ONE OF CAUTIOUS  
WELCOME. MOREOVER, THE GOVERNOR OF THE BANK OF ENGLAND  
HAS GIVEN THE EXERCISE HIS BLESSING. THERE IS A JUNE 21  
DEADLINE FOR POTENTIAL CONTRIBUTORS TO PLEDGE THEIR SHARES  
TO ECI. THE HOPED FOR TOTAL OF 50 MILLION POUNDS IS  
TO COME FROM:

INSURANCE COMPANIES	17 MILLION
PENSION FUNDS	17 MILLION
INVESTMENT TRUSTS	8 MILLION
UNIT TRUSTS	4 MILLION
FINANCE FOR INDUSTRY	4 MILLION

THE OUTLOOK IS THAT ECI WILL SUCCEED IN ATTRACTING THE  
MINIMUM 30 MILLION POUNDS IT NEEDS TO BEGIN OPERATIONS.  
SHOULD IT FAIL, LORD PLOWDEN INDICATED THAT ECI WOULD BE  
GIVEN A DECENT BURIAL.

### 3. RETAIL PRICES

BOOSTED BY SHARP INCREASE IN SEASONAL FOOD PRICES,  
THE APRIL INDEX OF RETAIL PRICES (JANUARY 1974 EQUALS 100)  
ROSE TO 153.5, A 1.9 PERCENT INCREASE OVER ITS MARCH LEV-  
EL OF 150.6. OVER THE PAST 12 MONTHS THIS INDEX HAS RIS-  
EN AT A RATE OF 18.9 PERCENT. THIS IS THE FIRST MONTH FOR  
WHICH THE ANNUAL RATE OF RETAIL PRICE INCREASE HAS DROPPED  
BELOW 20 PERCENT SINCE FEBRUARY 1975. NEVERTHELESS THE  
1.9 PERCENT APRIL INCREASE REPRESENTS A SHARP  
JUMP FROM THE 0.5 PERCENT OF THE PREVIOUS MONTH. AS A RE-  
SULT, THE ANNUALIZED RATES OF PRICE INCREASE OVER THE PAST

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LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 /133 W

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R 191743Z MAY 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1897

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

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SIX MONTHS AND THE PAST QUARTER HAVE NOT CONTINUED TO DECLINE AS SHARPLY AS AT THE BEGINNING OF 1976. OVER THE PAST 6 MONTHS THE INDEX ROSE AT AN ANNUAL RATE OF 15.4 PERCENT WHILE THE QUARTERLY FIGURE WAS 15.1 PERCENT.  
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OVER THE NEXT TWO MONTHS, RETAIL PRICES WILL BE INFLUENCED BY THE INDIRECT TAX INCREASES ON FUEL, TOBACCO AND ALCOHOL ANNOUNCED IN THE APRIL BUDGET. THESE ARE PROJECTED TO ADD ABOUT 0.8 PERCENT TO PRICES OVER THAT PERIOD. HOWEVER, A DECLINE IN SEASONAL FOOD PRICES IS EXPECTED TO OFFSET PART OF THIS INCREASE. THE OVERALL RATE OF INCREASE SHOULD CONTINUE TO DROP AS THE LARGE INCREASE RECORDED IN MAY AND JUNE OF 1975 DROP OUT OF THE 12-MONTH CALCULATION. AS A RESULT, THE ANNUAL RATE IN JULY SHOULD BE IN THE 13 TO 14 PERCENT RANGE. FURTHER IMPROVEMENT FROM THAT LEVEL WILL BE MORE DIFFICULT AS THE DECLINE IN STERLING IS REFLECTED IN HIGHER PRICED IMPORTED RAW MATERIALS REACHING FINAL CONSUMPTION.

#### 4. INDUSTRIAL PRODUCTION

CONTINUOUS REVISIONS IN THE INDEX OF INDUSTRIAL PRODUCTION (1970 EQUALS 100) HAVE MADE IT DIFFICULT TO DRAW SHARP CONCLUSIONS FROM THE FIGURES, EXCEPT THAT PRODUCTION IS MOVING UPWARDS. THE OVERALL INDEX STOOD AT 101.0 IN MARCH, A DECLINE OF 0.6 PERCENT FROM THE REVISED FEBRUARY LEVEL OF 101.6 (101.4). THE SLIGHTLY NARROWER INDEX OF MANUFACTURING PRODUCTION ALSO DECLINED BY 0.5 PERCENT TO 101.3 FROM THE REVISED FEBRUARY FIGURE OF 101.8 (101.4). FIGURES NOW AVAILABLE FOR THE FIRST QUARTER OF 1976 SHOW THAT THE OVERALL INDEX ROSE BY 1.4 PERCENT FROM THE FOURTH QUARTER OF 1975 WHILE THE MANUFACTURING INDEX ROSE BY 1.9 PERCENT ON THE SAME BASIS. NEVERTHELESS OVERALL OUTPUT DURING THE FIRST QUARTER OF 1976 WAS 3.3 PERCENT LOWER THAN DURING THE FIRST 3 MONTHS OF 1975. MANUFACTURING OUTPUT WAS 4.1 PERCENT LOWER ON THE SAME BASIS.

DISAGGREGATING THE INDEX, MOST OF THE SECTORS SHOW NO FIRM TREND. FOR EXAMPLE, TAKING THE CATEGORY OF FOOD, DRINK AND TOBACCO (8.4 PERCENT OF THE INDEX) IN ONLY TWO OF THE PAST TWELVE MONTHS HAS THE INDEX BEEN OUTSIDE THE 105-107 RANGE. FOR ENGINEERING AND ALLIED INDUSTRIES (31.9 PERCENT OF THE INDEX) THE INDEX HAS STAYED AT 99.0 IN EVERY MONTH BUT ONE SINCE AUGUST. THE CHEMICALS (6.5 PERCENT), METAL MANUFACTURE (5.7 PERCENT) AND OTHER MANUFACTURING (14.4 PERCENT) HAVE SHOWN SIGNS OF RECOVERY. WHEN THE INDEX IS BROKEN DOWN ACCORDING TO CONSUMER GOODS  
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INDUSTRIES, INVESTMENT GOODS INDUSTRIES AND INTERMEDIATE GOODS INDUSTRIES, THE PATTERN DOES NOT SHOW MUCH CHANGE. IN THE CONSUMER GOODS AREA (24.9 PERCENT OF THE INDEX) THE INDEX HAS VARIED BETWEEN 109.0 AND 111.0 IN EVERY MONTH BUT ONE SINCE APRIL 1975. THE INVESTMENT GOODS INDUSTRIES (23.8 PERCENT) HAVE MOVED BETWEEN 99.0 AND 102.0 OVER THE SAME PERIOD. THE MAJOR MOVEMENT APPEARS TO HAVE BEEN RECORDED IN THE INTERMEDIATE GOODS CATEGORY (36.3 PERCENT) WHERE THE INDEX HAS RISEN 9.8 PERCENT TO 101.0 FROM ITS AUGUST 1975 LOW OF 92.0.

5. RETAIL SALES

AFTER TWO MONTHS OF DECLINE THE INDEX OF RETAIL SALES VOLUME (1971 EQUALS 100) WAS PROVISIONALLY ESTIMATED TO HAVE RISEN BY 2.4 PERCENT IN APRIL TO 108.0 FROM ITS MARCH LEVEL OF 105.5. THERE IS A GREATER THAN USUAL MARGIN FOR ERROR IN THE APRIL FIGURE SINCE IT IS DERIVED IN PART FROM A COMPARISON WITH THE APRIL 1975 INDEX, WHICH WAS HEAVILY INFLUENCED BY A BUYING SURGE IN ANTICIPATION OF SHARP RISES IN THE VALUE ADDED TAX (VAT) IN CONSUMER DURABLES IN LAST YEAR'S BUDGET. THE APRIL 1976 FIGURE MAY ALSO HAVE BEEN INFLUENCED BY DELAYED PURCHASES OF DURABLE GOODS UNTIL AFTER THE ANTICIPATED ANNOUNCEMENT OF CUTS IN THE VAT FOLLOWING THIS YEAR'S BUDGET MESSAGE. IN SPITE OF THE HESITANT MOVEMENT OF THE INDEX DURING THE FIRST FOUR MONTHS OF 1976, OVER THE PAST 6 MONTHS A GRADUALLY RISING TREND IS DISCERNIBLE WITH THE INDEX HAVING RISEN BY 3.1 PERCENT DURING THAT PERIOD. IF THE DISTORTIONS AFFECTING APRIL 1975 ARE REMOVED FROM THE EQUATION, RETAIL SALES IN APRIL 1976 HAVE RETURNED TO MORE OR LESS THEIR LEVELS OF A YEAR AGO. FUTURE MOVEMENTS IN THE VOLUME OF RETAIL SALES WILL BE INFLUENCED BY THE LEVEL OF DISPOSABLE INCOME WHICH IN TURN WILL BE AFFECTED BY THE FURTHER RESTRAINT ON WAGES IMPLIED BY THE SECOND PHASE OF INCOMES POLICY, THE TAX REBATE AND CONTINUING TAX CUT THAT IS SCHEDULED TO OCCUR IN AUGUST, THE IMPACT OF THE RECENT DEPRECIATION IN STERLING AND AN EXPECTED DROP IN THE SAVINGS RATIO. WAGE RESTRAINT AND STERLING MOVEMENTS ARE LIKELY TO BAL-

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----- 085872

R 191743Z MAY 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1898

INFO AMEMBASSY BERN

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DEPT PASS TRSY AND FRB

ANCE THE EFFECTS OF THE TAX CUT AND LOWER SAVINGS RATIO  
LEAVING VERY LITTLE ROOM FOR SIGNIFICANTLY HIGHER CON-  
SUMER SPENDING OVER THE NEXT 12 MONTHS.

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## 6. TRADE AND CURRENT ACCOUNT

THE UK CURRENT ACCOUNT IN APRIL IS ESTIMATED TO HAVE BEEN IN DEFICIT BY 135 MILLION POUNDS FOLLOWING A SURPLUS OF 104 MILLION POUNDS IN MARCH. THE RECENT DEPRECIATION OF STERLING ACCOUNTED FOR A PORTION OF THE SHARP TURN-AROUND, HOWEVER THERE WERE SEVERAL "SPECIAL" FACTORS AFFECTING THE TRADE FIGURES. THE NON-RECURRING FACTORS INCLUDE EXCEPTIONALLY LARGE IMPORTS OF DIAMONDS, AN INCREASE IN CRUDE OIL IMPORTS FOLLOWING AN EXCEPTIONALLY LOW VOLUME IN MARCH, AND THE ARRIVAL OF AN OIL DRILLING PLATFORM. IN TOTAL THESE FACTORS ACCOUNT FOR ABOUT 150 MILLION POUNDS OF THE 239 MILLION POUND SWING. IN ADDITION, THERE WAS A SHARP RISE IN THE IMPORT OF BASIC INDUSTRIAL MATERIALS AND MACHINERY. WHILE THERE HAS BEEN AN UPTURN IN IMPORT VOLUME AND VALUE, EXPORTS CONTINUE TO SHOW SIGNS OF MORE RAPID INCREASE.

3-1/2 PERCENT HIGHER IN VOLUME AND 8-1/2 PERCENT HIGHER IN VALUE THAN IN THE PREVIOUS THREE MONTHS AND ABOUT 8 PERCENT HIGHER IN VOLUME THAN THE 1975 AVERAGE LEVEL. SURVEYS INDICATE THAT EXPORT ORDERS HAVE STRENGTHENED SUBSTANTIALLY IN RECENT MONTHS WITH FURTHER IMPETUS RESULTING FROM THE DEPRECIATED POUND. SEE LONDON 7508 FOR TABLES.

## 7. EXCHANGE RATE AND GOLD

DATE	EFFECTIVE		
	EXCHANGE RATE (\$)	DEPRECIATION (PERCENT)	GOLD
5/12	1.8390	36.9	128.125
5/13	1.8275	37.4	127.875
5/14	1.81575	37.7	127.875
5/17	1.8045	37.9	127.875
5/18	1.8110	37.6	127.675

CHANGE 5/11-18 DOWN 0.0225 WIDENED 0.3 DOWN 0.20

## 8. FORWARD DISCOUNT ON STERLING

DATE	1 MONTH	3 MONTHS	6 MONTHS
5/12	0.82	2.40	4.50
5/13	0.80	2.35	4.45
5/14	0.80	2.37	4.50
5/17	0.87	2.37	4.45

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5/18	0.75	2.17	4.35
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CHANGE 5/11-5/18 DOWN 0.10 DOWN 0.21 DOWN 0.25  
(ALL FIGURES IN CENTS)

## 9. EURODOLLAR INTEREST RATES

DATE	1 MONTH	3 MONTHS	6 MONTHS
5/12	5-1/8	5-3/4	6-3/8
5/13	5-1/2	5-7/8	6-1/2
5/14	5-5/8	6	6-3/4
5/17	5-1/2	6-1/8	6-3/4
5/18	5-1/2	6-1/8	7
CHANGE 5/11-5/18	UP 1/8	UP 1/4	UP 5/8

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10. THREE-MONTH LONDON INTERBANK AND EURODOLLAR  
INTEREST RATE DIFFERENTIAL.

5/12 4-3/16

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5/13 4-3/32

5/14 4-1/32

5/17 4

5/18 4-1/32

11. STERLING CERTIFICATES OF DEPOSIT

DATE	1 MONTH	3 MONTHS	6 MONTHS
5/12	9-7/8	9-7/8	9-15/16
5/13	9-7/8	9-15/16	9-15/16
5/14	9-31/32	10	10-1/16
5/17	10	10-1/8	10-1/4
5/18	9-15/16	10-1/8	10-7/16

CHANGE 5/11-5/18 UP 1/8 UP 3/16 UP 7/16

12. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT  
10-1/2 PERCENT ON FRIDAY, MAY 14. THE AVERAGE TREASURY  
BILL RATE FELL 0.055 PERCENT TO 9.8651 PERCENT AT THE  
THURSDAY AUCTION, WITH THE 450 MILLION POUNDS IN  
BILLS OFFERED ATTRACTING 1'068.94 MILLION POUNDS IN BIDS.  
NEXT THURSDAY'S AUCTION WILL OFFER 400 MILLION POUNDS IN  
BILLS REPLACING AN EQUAL AMOUNT OF MATURITIES.

ARMSTRONG

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Draft Date:** 19 MAY 1976  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Review Authority:** CollinP0  
**Review Comment:** n/a  
**Review Content Flags:**  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 JUN 2004 by mendozsm>; APPROVED <28 JAN 2005 by CollinP0>  
**Review Markings:**

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**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
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**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006